

Virginians for the Arts

**In cooperation with the
Virginia Commission for the Arts
and the Virginia Association of
Museums**

**The Economic Impact of Arts and
Cultural Organizations in Virginia**

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Prepared by

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Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

EXECUTIVE SUMMARY

This study commissioned by Virginians for the Arts was conducted by *The Wessex Group, Ltd.* and describes the economic impact of arts and cultural organizations in Virginia. Virginia's economy has benefited from these organizations as they generate a significant amount of business sales, tourism spending, and employment for Virginia's residents. Cultural organizations also provide recreational and cultural opportunities, including the opportunity to take part in volunteer programs.

In Virginia, *arts and culture is a billion dollar industry*. Provided below is a summary of how museums and arts organizations added to the communities and economy of Virginia over the last year.

Arts and cultural organizations in Virginia annually generate...

- \$849 million in revenues for Virginia businesses and
- \$342 million in revenues for Virginia tourism businesses through spending by out-of-state visitors to the arts and cultural organizations

As a result of the business revenues created by Virginia arts and cultural organizations, the state's economy benefits from...

- \$447 million in value-added income (mainly personal income) for Virginia's workforce and entrepreneurs
- \$307 million in annual labor compensation for Virginia's workforce
- 18,850 full and part-time jobs

Virginia's arts and cultural organizations also...

- host nearly 30 million patrons each year
- attract out-of-state visitors (37% of paid admissions to arts and cultural organizations live outside Virginia)
- supplement their budgets with an estimated \$62 million in grant income annually
- raise an estimated \$74 million in contributions annually
- organize 1.4 million hours of volunteer time to improve the quality of life for all Virginians

Economic Impact of the Arts in Virginia
Virginians For the Arts
Section 3 – Out-Of-State Visitation and Spending

These facts illustrate some of the many ways that museums and arts organizations enrich the quality of life for Virginia's residents and contribute to the economic well-being of the state.

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

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Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 1

INTRODUCTION

Arts and cultural organizations in Virginia consist of art and history museums, historical sites, dance and theatre companies, symphony orchestras, chamber music ensembles, performing art centers, and arts festivals. Culture and arts not only improve the quality of life but also generate economic benefits for all Virginians.

Virginians for the Arts commissioned *The Wessex Group, Ltd.* (TWG) of Williamsburg, Virginia to conduct a study of the economic impact of arts and cultural organizations throughout Virginia. The Virginia Commission for the Arts and the Virginia Association of Museums assisted with this project. This study estimates the direct, indirect and induced impacts of spending by Virginia's arts and cultural organizations and the visitors attracted to the state by these organizations. Estimates of tax impacts on the state economy also are included. This study surveyed not-for-profit arts and cultural organizations. It does not include data on the economic impact of for-profit arts and cultural organizations, such as commercial art galleries and dinner theatres, individual artists, and cultural events sponsored by state colleges and universities.

Research Objectives

The two major research objectives of this study are:

1. To estimate the economic impact of arts and cultural organizations in Virginia, including...
 - Sales of Virginia businesses directly or indirectly generated by arts and cultural organizations
 - Spending by out-of-state visitors who came to enjoy Virginia's arts and cultural opportunities
 - Value added – the income of Virginia's workforce and entrepreneurs that was generated both directly and indirectly by the state's arts and cultural organizations
 - The number of jobs supported directly and indirectly by arts and cultural organizations
2. To estimate the number of people who benefited from Virginia's arts organizations and museums, including...
 - Residents of Virginia who visited the museums and arts organizations
 - Residents of Virginia who participated in the organizations' outreach programs
 - Visitors from out of the state who patronized Virginia's arts and cultural organizations
 - Volunteers of arts and cultural organizations

Research Methodology

To gather the information needed for this study, TWG worked with Virginians for the Arts, the Virginia Commission for the Arts, and the Virginia Association of Museums to design a questionnaire that was mailed to most arts and cultural organizations in Virginia. A copy of this survey instrument is in the Appendix of this report. The mailing list was compiled by the Virginia Commission for the Arts. The Commission also designated each organization as a “museum” or an “arts organization.” Cultural organizations that can be considered as both museums and arts organizations were categorized as one or the other on a case by case basis.

Initially, TWG mailed out 448 surveys in April of 2000. Organizations that had not responded within three weeks received one or more follow-up contacts by telephone, fax, and/or e-mail. Approximately 100 replacement surveys were sent out to the requesting organizations.

In total, 297 arts and cultural organizations are represented in the database used in this analysis. This number includes 160 organizations that responded to the mail survey (a response rate of 36%), 66 organizations for which data was extracted from grant applications on file with the Virginia Commission for the Arts, and 71 organizations for which TWG acquired information from *GuideStar* (a web-based searchable database providing basic financial information on non-profit organizations).

Table 1-1 shows the locations and types of organizations included in this analysis. The individual responses are confidential and will remain so to protect the privacy of the organizations. The individual cities and counties in each region are listed in the Appendix of this report.

Table 1-1

ARTS AND CULTURAL ORGANIZATIONS ANALYZED			
Region	Museums	Arts Organizations	Total
Northern Virginia	24	44	68
Central Virginia	28	30	58
Hampton Roads	29	34	63
Virginia Heartland	59	49	108
Total	140	157	297

The data were collected for the organizations’ most recent fiscal year, typically 1999. The information requested by TWG included paid and unpaid admissions, estimates of out-of-state visitors, employment data, and several details pertaining to revenues and expenditures (please refer to the questionnaire form in the Appendix). To estimate the more detailed categories using the aggregate revenue and expenditure data retrieved from *GuideStar* and some grant applications, survey results were used as a model.

The information in the database was used to conduct analyses with IMPLAN, an input-output economic analysis model. Input-output models trace linkages between organizations and/or businesses and illustrate how one organization’s activity results in several rounds of secondary effects. Direct effects are the revenues created for the businesses from whom the arts and cultural organizations purchase goods and services. Secondary effects occur when the spending by the arts and cultural organizations with other businesses becomes payroll and expenditures with still more businesses. There are two types of secondary effects – indirect effects and induced effects. *Indirect effects* are the changes in sales, income or jobs for businesses that supply goods or services to the original organization. *Induced effects* are the increased sales from household spending of the payroll earned by the organization’s employees and/or proprietors.

The modeling runs were done for each region listed in the table above and for the state of Virginia as a whole. Runs also were conducted separately for museums and for arts organizations within each region and statewide.

Overview of the Report

In addition to this introductory section, there are six more report sections. Each of Sections 2 through 6 covers one of the elements that were used to assess the economic impact, and Section 7 presents the economic impact analysis. The section topics are as follows:

- **Section 2** provides estimates of paid and non-paid admissions to arts and cultural organizations, including the number of people who benefit from outreach programs.
- **Section 3** focuses on the number of out-of-state visitors who went to Virginia's museums and arts organizations. It also describes how much these visitors spent in Virginia.
- **Section 4** covers the various revenue sources and amounts of arts and cultural organizations.
- **Section 5** examines the direct employment of arts and cultural organizations, including labor compensation. Volunteer hours also are covered in this section.
- **Section 6** describes the various types of expenses of arts and cultural organizations in Virginia.
- **Section 7** presents the economic impact of arts and cultural organizations in Virginia, showing how the direct spending of the organizations contributes to many sectors of the state's economy.

The Appendix at the back of the report contains a sample of the questionnaire distributed to museums and arts organizations for this project and a list of the municipalities that are included in the four regions examined in this study: Northern Virginia, Hampton Roads, Central Virginia, and the Virginia Heartland. An illustrated map also is provided. The Appendix also contains brief resumes of the professional staff of *The Wessex Group, Ltd.*

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 2

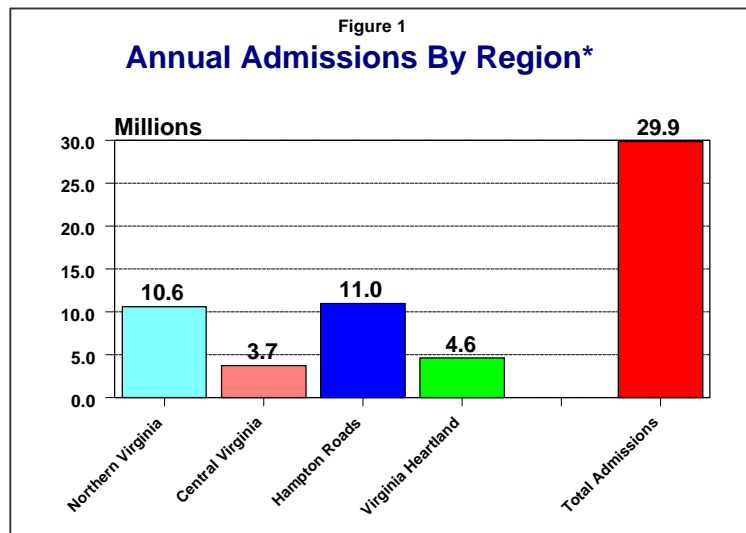
VISITATION TO VIRGINIA'S ARTS AND CULTURAL ORGANIZATIONS

People come from all over Virginia and all of the world to appreciate arts and cultural offerings in the state. In total, it is estimated that in the last year nearly 30 million people visited Virginia's arts and cultural organizations and/or benefited from outreach efforts, such as school programs, seminars, etc. Table 2-1 provides estimates of the number of visits (millions) to Virginia arts organizations and museums. Figure 1 illustrates the same data.

Table 2-1

ANNUAL ADMISSIONS TO VIRGINIA'S ARTS AND CULTURAL ORGANIZATIONS (Millions)				
Region	Paid*	Non-Paid*	Outreach*	Total
Northern Virginia	3.9	3.9	2.8	10.6
Central Virginia	2.0	1.0	.7	3.7
Hampton Roads	4.0	5.7	1.3	11.0
Virginia Heartland	1.9	1.8	1.0	4.6
Total Virginia	11.7	12.4	5.8	29.9

* Rounding may affect totals



On a region-by-region basis, Northern Virginia and Hampton Roads, each with admissions exceeding 10 million people, account for nearly three fourths (72%) of total admissions.

Virginia's arts and cultural organizations were asked to indicate how their admissions and attendance divided into *paid*, *non-paid*, and *outreach* categories. Paid admissions total 11.7 million (rounding affects the numbers shown in the graphic), non-paid admissions total 12.4 million, and 5.8 million people were served by outreach efforts.

As indicated in Figure 2, which illustrates regional admissions for the most recent fiscal year of the arts and cultural organizations, non-paid admissions are relatively high in the Hampton Roads area – 5.7 million out of the total 12.4 million (46%). This is driven by a number of museums, events and other arts organizations located in Hampton Roads that provide at least some, if not all, of their services to the public at no charge.

Arts Organizations Visitation

Of the 30 million visitors to arts and cultural organizations in Virginia, approximately 43% visited arts organizations specifically. Table 2-2 provides a breakdown of these visitations by paid, non-paid, and outreach programs. As shown, an estimated total of 12.7 million people visited arts organizations in the last year. Northern Virginia is particularly strong in arts organizations possessing 64% of the total admissions in Virginia.

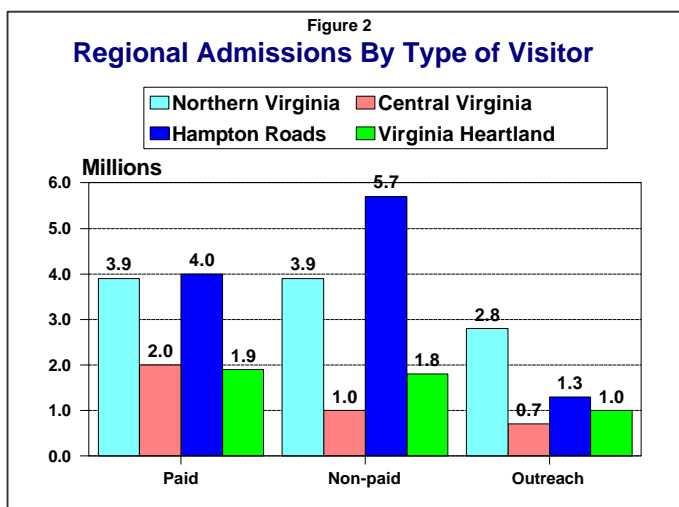


Table 2-2

ARTS ORGANIZATION ADMISSIONS (Millions)				
Region	Paid*	Non-Paid*	Outreach*	Total
Northern Virginia	2.9	2.8	2.4	8.1
Central Virginia	.3	.4	.3	1.0
Hampton Roads	.4	1.0	.8	2.2
Virginia Heartland	.5	.4	.4	1.3
Total Virginia	4.2	4.7	3.8	12.7

* Rounding may affect totals

Museum Visitation

Of the 30 million visitors to arts and cultural organizations in Virginia, 57% visited museums. Table 2-3 shows regional and total museum admissions.

Table 2-3

MUSEUM ADMISSIONS (Millions)				
Region	Paid*	Non-Paid*	Outreach*	Total
Northern Virginia	.9	1.0	.4	2.4
Central Virginia	1.7	.6	.4	2.7
Hampton Roads	3.5	4.7	.5	8.7
Virginia Heartland	1.3	1.3	.6	3.3
Total Virginia	7.5	7.7	2.0	17.1

* Rounding may affect totals

Museum visitation state-wide, at 17.1 million people last year, is about 25% higher than total admissions to arts organizations. Hampton Roads is the strongest region in terms of attracting museum visitation.

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 3

ARTS AND CULTURAL ORGANIZATION ADMISSIONS AND TOURISM SPENDING

A primary driver of increased economic activity in Virginia is tourism. Visitors from outside the state bring net new dollars into Virginia. Therefore, an important focus of this study is to estimate the number of admissions to Virginia's arts and cultural organizations that are for out-of-state visitors, as well as the amount of spending that can be attributed to these visitors.

Table 3-1 indicates how the regions in Virginia shared the 11.4 million visitors who paid for admission to Virginia's arts and cultural organizations during their most recent fiscal year. The table also lists the estimated number of these admissions that were out-of-state visitors rather than in-state residents. State-wide, it is estimated more than a third of all paid admissions (36.7%) were out-of-state visitors.

Table 3-1

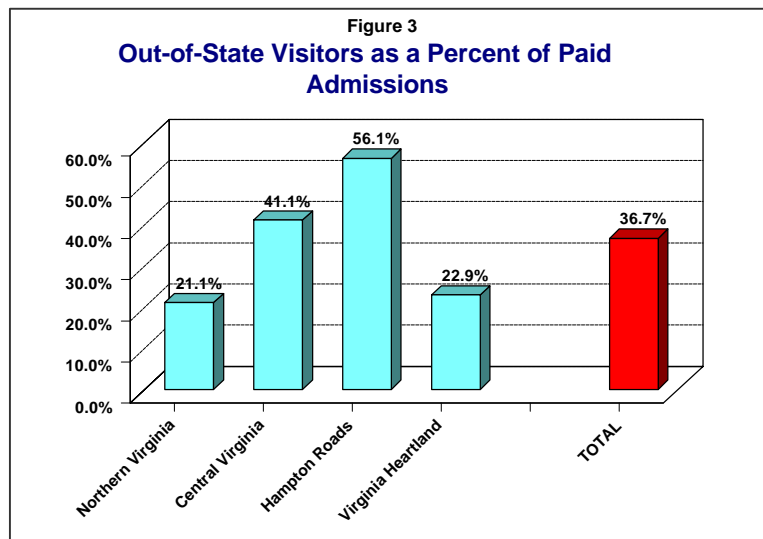
SHARE OF PAID ADMISSIONS

Region	Total Paid Admissions (Millions)*	Out-of- State Paid Admissions (Millions)*	Out-of-State Admissions as a % of Paid Admissions
Northern Virginia	3.9	.8	21.1%
Central Virginia	2.0	.8	41.1%
Hampton Roads	4.0	2.2	56.1%
Virginia Heartland	1.9	.4	22.9%
Total Virginia	11.7	4.3	36.7%

* Rounding may affect totals

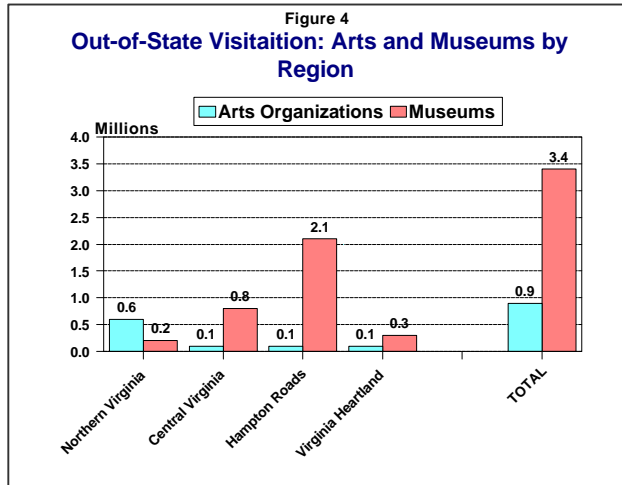
As indicated in the table above and Figure 3 to the right, the Hampton Roads region had the highest percentage of out-of-state visitors of "paid" admissions (56.1%). This can be attributed to several of the largest arts and cultural organizations in Hampton Roads that focus heavily on tourism marketing.

After Hampton Roads, Central Virginia had the next highest percentage of out-of-state paid admissions at 41.1%. In Central Virginia, this percentage is driven by a wide variety of "smaller" organizations (in terms of total admissions) rather than relatively few larger organizations.



Out-of-State Visitation: Arts Organizations and Museums

The four regions of the state analyzed for this study have focused their cultural development differently in terms of attracting out of state visitors to *arts organizations* or, alternatively, *museums*. In Northern Virginia, for example, 600,000 out-of-state visitors paid for admission to arts organizations. In Hampton Roads, on the other hand, museums attracted the largest number of out-of-state visitors at an estimated 2.1 million. Central Virginia and the Virginia Heartland also are much more likely to find out-of-state visitors in museums rather than arts organizations. In total, 900,000 out-of-state visitors came to visit the arts organizations or events last year, and 3.4 million visited museums in Virginia. Details are presented in Figure 4.



Out-of-State Visitors Paid Visitation - Arts Organizations

Overall, about 36% of the 11.7 million paid visitors to arts and cultural organizations in Virginia can be attributed to arts organizations. Figure 5 and Table 3-2, show how paid visitation breaks out by region for Virginia's arts organizations. Northern Virginia, with its strong focus on arts organizations, leads the state in this category for total admissions.

On a percentage basis, the regions attract out-of-state visitors to arts organizations in roughly the same proportions, although the Virginia Heartland, at 22.6%, leads the other regions by a small margin. State-wide, out-of-state visitors account for 21.4% of paid admissions to arts organizations.

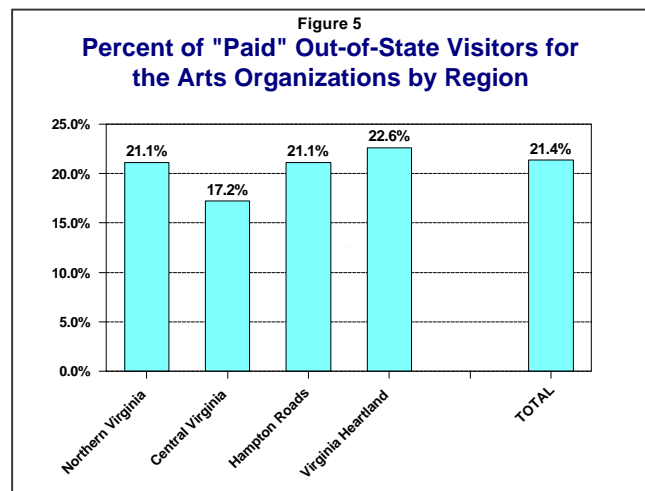


Table 3-2

OUT OF STATE VISITATIONS-ARTS ORGANIZATIONS			
Region	Total Paid Admissions (Millions)*	Out-of-State Paid Admissions (Millions)*	Out-of-State as a % of Paid Admissions
Northern Virginia	2.9	.6	21.1%
Central Virginia	.3	.1	17.2%
Hampton Roads	.4	.1	21.1%
Virginia Heartland	.5	.1	22.6%
Total Virginia	4.2	.9	21.4%

* Rounding may affect totals

Out-of-State Visitors Paid Visitation – Museums

Of the 11.7 million paid admissions to arts and cultural organizations in the state, the museum admissions of 7.5 million people account for 64%. Regionally, Hampton Roads attracts the highest numbers of in-state (3.5 million) and out-of-state (2.1 million) visitors to museums, as indicated in Table 3-3.

In Central Virginia, as well as in Hampton Roads, out-of-state visitors account for approximately half of total paid admissions. This is most clearly seen in Figure 6. These two regions are driving the state-wide percentage (45.3%) of out-of-state visitors.

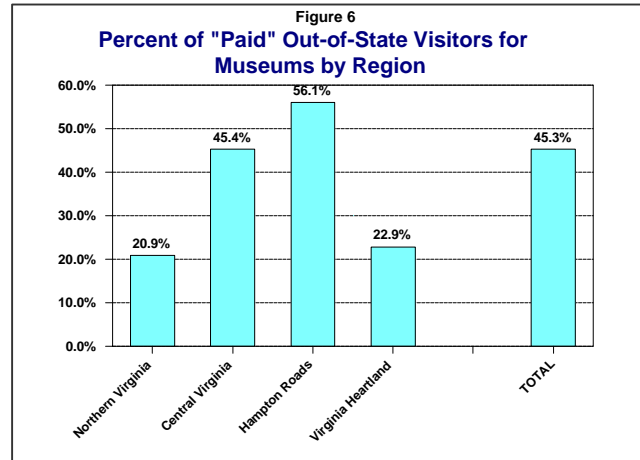


Table 3-3

OUT-OF-STATE VISITATION-MUSEUM			
Region	Total Paid Admissions (Millions)	Out-of-State Paid Admissions (Millions)	Out-of-State as a % of Paid Admissions
Northern Virginia	.9	.2	20.9%
Central Virginia	1.7	.8	45.4%
Hampton Roads	3.5	2.1	56.1%
Virginia Heartland	1.3	.3	22.9%
Total Virginia *	7.5	3.4	45.3%

* Rounding may affect totals

Spending by Out-of-State Visitors

Out-of-state visitor spending is one of the major drivers of economic impact considered in this study. Tourism spending generates net *new* dollars for Virginia's economy rather than a shift of dollars from place to place within the state. Virginia's arts organizations and museums represent some of the major attractions that entice tourists to visit Virginia. In 1998, the Virginia Tourism Corporation reported that pleasure visitors in Virginia spend an average of \$39 per person per day. This translates to tourism spending by visitors to the state's arts and cultural organizations of \$342 million in one year, as shown in Table 3-4. The estimates are based on the assumption that out-of-state visitors spend three days in Hampton Roads and one day in other regions.

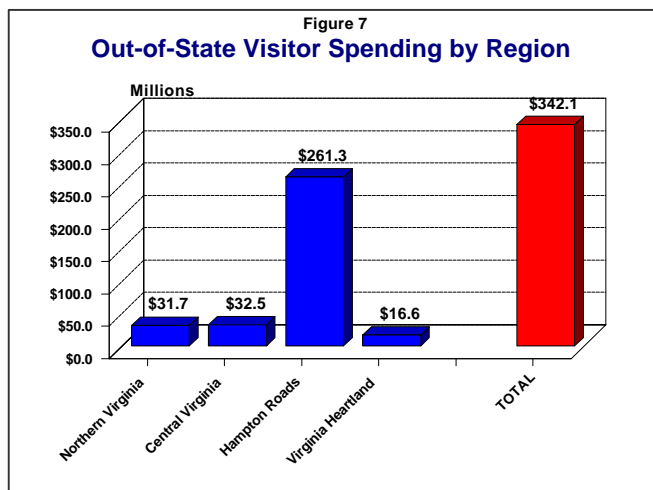
Table 3-4

SPENDING BY OUT-OF-STATE VISITORS TO ARTS AND CULTURAL ORGANIZATIONS			
Region	Museums: Out-of-State Paid Admissions (Millions)	Arts Organizations: Out-of-State Paid Admissions (Millions)	Estimated Visitor Spending (\$ Millions)
Northern Virginia	.2	.6	\$31.7
Central Virginia	.8	.1	\$32.5
Hampton Roads	2.2	.1	\$261.3
Virginia Heartland	.3	.1	\$16.6
Total Virginia *	3.4	.9	\$342.1

* Rounding may affect totals

Section 3 – ARTS AND CULTURAL ORGANIZATION ADMISSIONS AND TOURISM SPENDING

Of the \$342 million, more than three fourths (76%) is attributed to Hampton Roads because of Colonial Williamsburg, one of the state's most popular tourist attractions, and its proximity to Busch Gardens and Water County USA, the Anheuser-Busch theme parks. Figure 7 illustrates the regional attributions of out-of-state visitor spending.



Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 4

REVENUES OF ARTS AND CULTURAL ORGANIZATIONS

The revenues taken in by Virginia's arts and cultural organizations help stimulate economic activity, as they are a source of capital and operating funds – capital for investments, wages of the organizations' employees, and purchases from other Virginia businesses. In addition, any revenues from retail sales (gift shops, restaurants, etc.) generate tax dollars for the locality and the state. This report section focuses on the types and amounts of revenues that arts and cultural organizations realized in their most recent fiscal year.

The individual revenue categories examined in this study include admissions, memberships, retail, donations and contributions, interest income, and grant or subsidy income. Total estimated annual revenues for Virginia's arts and cultural organizations are \$416.3 million, as shown in Figure 8. A regional breakdown of the total is in Table 4-1.

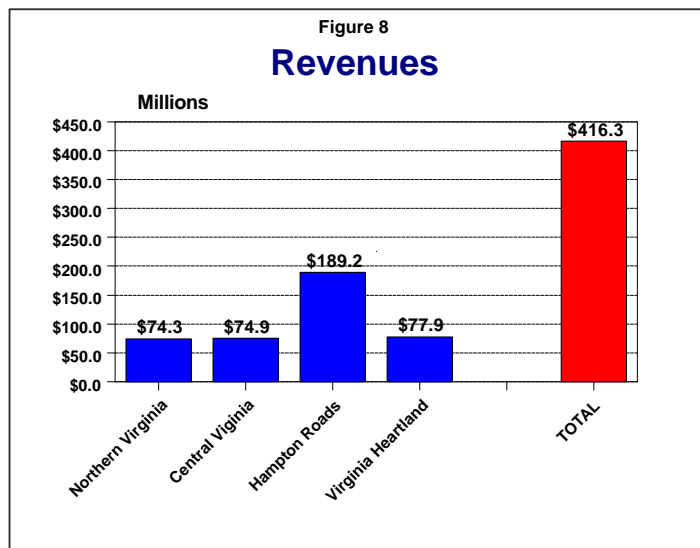


Table 4-1

TOTAL REVENUES OF ARTS AND CULTURAL ORGANIZATIONS (\$ Millions)			
Region	Museums	Arts Organizations	Total
Northern Virginia	\$38.2	\$36.1	\$74.3
Central Virginia	57.2	17.7	74.9
Hampton Roads	170.0	19.2	189.2
Virginia Heartland	62.1	15.8	77.9
Total Virginia	\$327.5	\$88.8	\$416.3

The Hampton Roads region generated the most revenue at \$189.2 million. The other three regions captured nearly equal revenues of approximately \$75 million each.

Revenue Sources

There are several different sources from which arts and cultural organization revenues are generated. Table 4-2 on the next page lists these revenue sources and indicates the percentage of the total for each category. The data are graphed in Figure 9. For both museums and arts organizations,

admissions provide the highest percentage of revenues – 20% for museums and 37% for arts organizations.

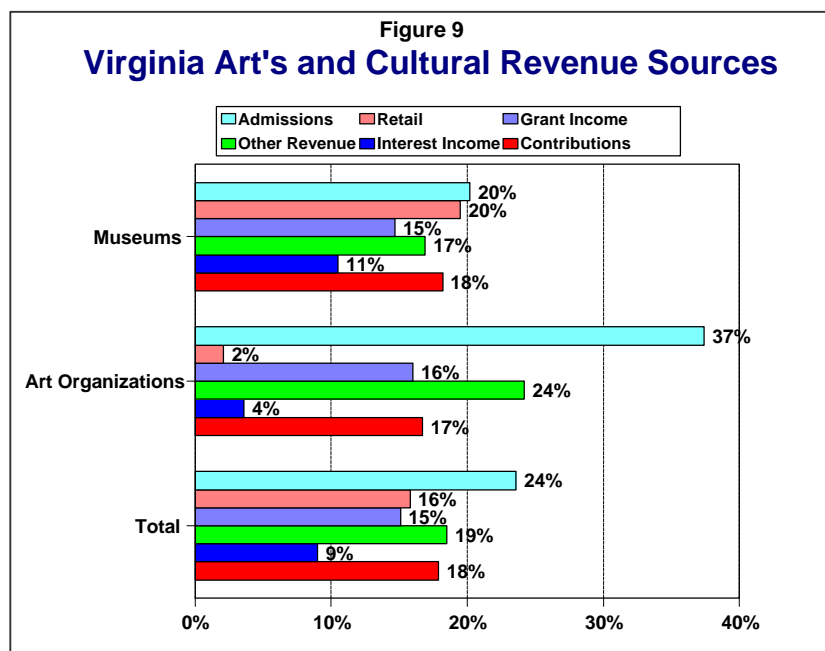
Table 4-2

REVENUE SOURCES			
Category	Museums*	Arts Organizations*	Total
Admissions	20.2%	37.4%	23.6%
Retail	19.5%	2.1%	15.8%
Grant Income	14.7%	16.0%	15.1%
Other Revenue	16.9%	24.2%	18.5%
Interest Income	10.5%	3.6%	9.0%
Contributions	18.2%	16.7%	17.9%
Total Revenues	100.0%	100.0%	100.0%

*Rounding may affect totals

As Figure 9 illustrates, museums and arts organizations tend to differ dramatically in their revenue sources as percentages of the total. For example:

- While admissions revenue is the highest proportion for both types of cultural organizations, it represents a significantly higher proportion for arts organizations (37% vs. 20% for museums).
- Retail sales, such as those in gift shops or restaurants, represent a much higher percentage of revenue for museums than for art organizations (20% vs. only 2% for arts organizations). Many arts organizations do not operate their own permanent facilities and, therefore, have no shops or restaurants to generate revenue, which explains a great deal of this difference.
- “Other” revenues represent a larger percentage of total revenues for arts organizations than for museums (24% vs. 17%). The arts organizations responding to the survey designed for this project often indicate that “other” revenues include things such as “advertising sales” and “tuition and fees” for workshops, seminars, etc.



Tables 4-3 through 4-6 display the regional breakouts of revenue sources.

Table 4-3

REVENUES FROM ADMISSIONS (\$ Millions)			
Region	Museums	Arts Organizations	Total
Northern Virginia	\$7.2	\$15.9	\$23.1
Central Virginia	6.8	4.7	11.5
Hampton Roads	37.3	5.2	42.5
Virginia Heartland	9.5	4.2	13.7
Total Virginia	\$60.8	\$30.0	\$90.8

Table 4-4

REVENUES FROM RETAIL OPERATIONS (\$ Millions)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	\$6.5	\$.3	\$6.8
Central Virginia	12.4	.4	12.8
Hampton Roads	33.9	.3	34.3
Virginia Heartland	10.1	.9	10.9
Total Virginia	\$63.0	\$1.9	\$64.8

* Rounding may affect totals

Table 4-5

REVENUES FROM GRANTS & SUBSIDIES (\$ Millions - Excludes Federal Grants/Subsidies)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	\$6.7	\$3.0	\$9.7
Central Virginia	11.9	4.1	16.1
Hampton Roads	20.0	3.8	23.8
Virginia Heartland	9.1	3.2	12.2
Total Virginia	\$47.7	\$14.0	\$61.7

* Rounding may affect totals

Table 4-6

REVENUES FROM DONATIONS & CONTRIBUTIONS (\$ Millions - Excludes In-Kind Contributions & One-Time Major Contributions to Capital Campaigns, Grants or Subsidies)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	\$7.1	\$2.7	\$9.7
Central Virginia	14.6	3.7	18.3
Hampton Roads	26.2	4.8	31.0
Virginia Heartland	11.1	3.5	14.6
Total Virginia	\$58.9	\$14.7	\$73.6

* Rounding may affect totals

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 5

EMPLOYMENT PROVIDED BY ARTS AND CULTURAL ORGANIZATIONS

A major economic benefit of museums and arts organizations in Virginia is found in the full time and part time employment they provide for Virginia's residents. In addition, these organizations contribute to the quality of life in Virginia's communities by providing opportunities for volunteers. These issues are discussed in this report section.

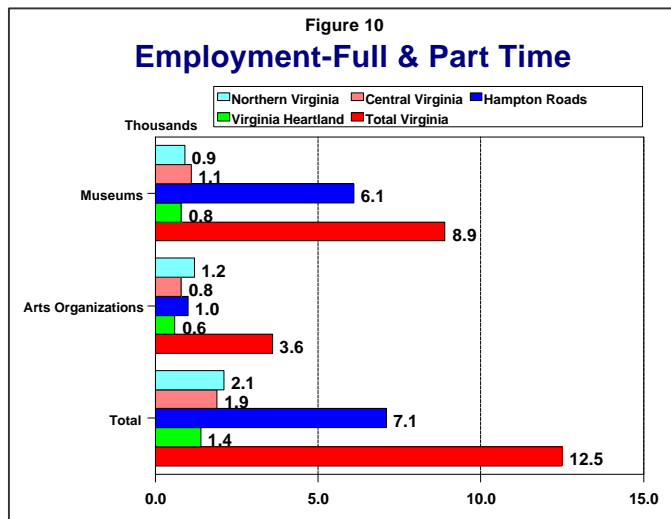
Direct Employment

In total, arts and cultural organizations directly provide 12,500 employment positions, as shown in Table 5-1. The numbers in the table account for both full time and part time positions.

Table 5-1

EMPLOYMENT POSITIONS PROVIDED BY ARTS AND CULTURAL ORGANIZATIONS IN VIRGINIA			
Region	Museums	Arts Organizations	Total
Northern Virginia	900	1,200	2,100
Central Virginia	1,100	800	1,900
Hampton Roads	6,100	1,000	7,100
Virginia Heartland	800	600	1,400
Total Virginia	8,900	3,600	12,500

Employment by region is shown in Figure 10. Over half (57%) of all direct employment by arts and cultural organizations is found in Hampton Roads. The Colonial Williamsburg Foundation is the basis for much of the region's employment.



Estimated total compensation (wages, salaries, benefits, and bonuses) paid to these employees (including contract workers such as artists, security personnel, temporary personnel, etc.) by arts and cultural organizations are \$158 million. Labor compensation is covered in more detail later in this report section.

Volunteer Hours

Virginia residents devoted an estimated 1.4 million hours of their time to volunteer activities for arts and cultural organizations in the state, as indicated in Table 5-1 and in Figure 11. Of the total volunteer hours, 58% are devoted to museums and 42% to arts organizations.

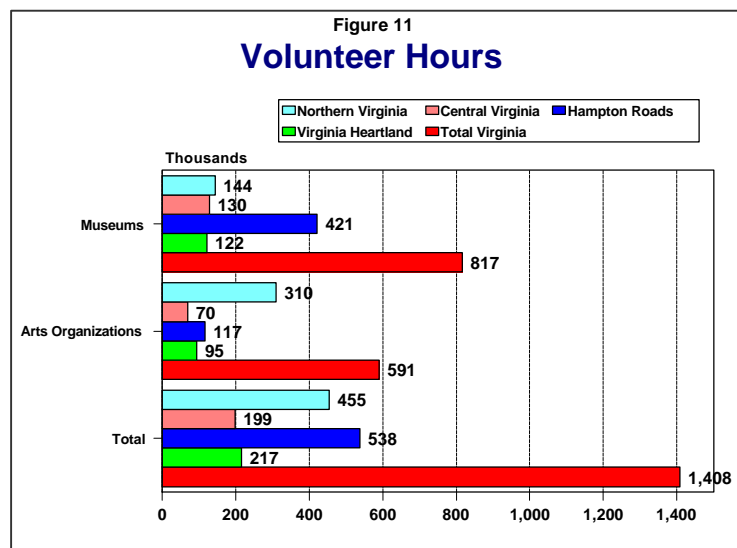
Table 5-1

VOLUNTEER HOURS FOR ARTS AND CULTURAL ORGANIZATIONS (Thousands)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	144.2	310.4	454.5
Central Virginia	129.6	69.5	199.1
Hampton Roads	421.3	116.7	538.0
Virginia Heartland	122.1	94.6	216.7
Total Virginia	817.1	591.1	1,408.2

* Rounding may affect totals

The regional ratios of volunteer hours between museums and arts organizations closely match the overall cultural development patterns in terms of visitation:

- In Northern Virginia we find a higher ratio of visitation to arts organizations when compared to museums (3.38:1) and volunteer hours follow the same pattern at 2.15:1.
- In Central Virginia, the visitation ratio of museums to arts organizations is 2.7:1, and volunteer hours at 1.86:1.
- In Hampton roads the visitation ratio is led by museums at 3.95:1 and volunteer hours are at 3.61:1.
- For the Virginia Heartland, the visitation ratio of museums to arts organizations is 2.54:1, and for volunteer hours, 1.29:1.



Direct Labor Compensation

Arts and cultural organizations in Virginia provide labor compensation to Virginia's residents which totals an estimated \$158 million a year, as indicated in Table 5-3 and in Figure 12. Compensation includes wages, salaries, benefits, and bonuses paid to employees of culture organizations plus payments to contract workers such as artists, security personnel, temporary personnel, etc.

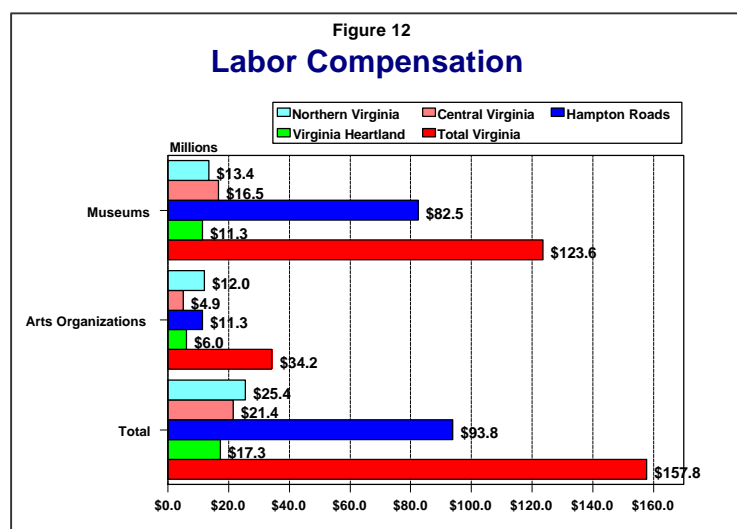
Table 5-3

LABOR COMPENSATION BY ARTS AND CULTURAL ORGANIZATIONS (\$ Millions)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	\$13.4	\$12.0	\$25.4
Central Virginia	16.5	4.9	21.4
Hampton Roads	82.5	11.3	93.8
Virginia Heartland	11.3	6.0	17.3
Total Virginia	\$123.6	\$34.2	\$157.8

* Rounding may affect totals

Of the \$158 million in annual labor compensation, museums account for \$124 million and arts organizations for \$34 million. As will be discussed in Section 7 of this report, the direct labor compensation of an industry sector is one of the two major stimuli that generate economic impact for the localities and the state. The labor force spends their wages on goods and services - food, housing, clothing, entertainment, transportation, medical care, etc. - and many of these providers operate within the region or within the state. The sales made by these providers to the employees of arts and cultural

organizations generates yet more rounds of spending, as the businesses purchase goods and services from their vendors and pay their own employees. The other major stimulus to economic impact is found in the other expenditures of arts and cultural organizations, which are discussed in the next section of this report.



Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 6

EXPENDITURES OF ARTS AND CULTURAL ORGANIZATIONS

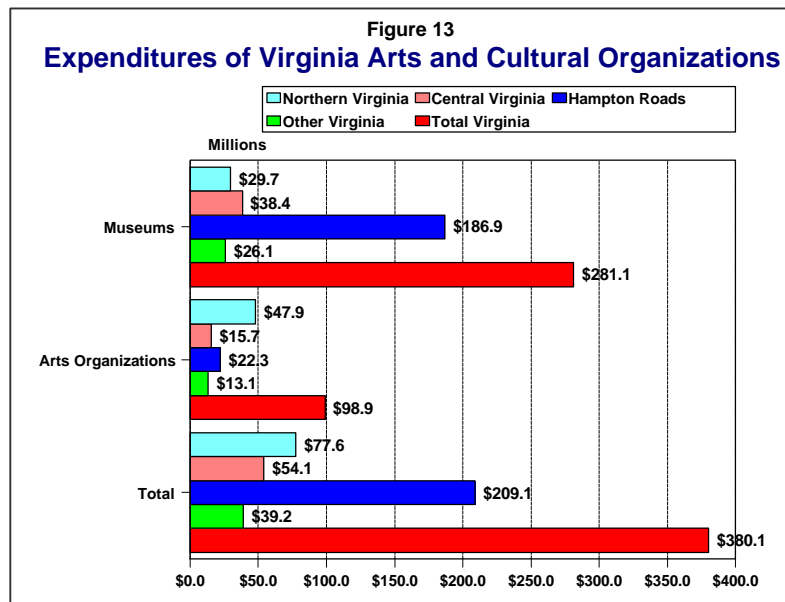
The non-wage expenditures of the arts and cultural organizations in Virginia constitute one of the two major economic stimuli, with wages being the other major stimulus. The non-wage expenditures for goods and services (i.e., everything from paper clips to interest payments to works of art) of the arts and cultural organizations are sales for other Virginia businesses.

Direct expenditures by region, and the information is summarized in Table 6-1 and graphed in Figure 13. **Wages and other labor compensation are included in these estimates.** As indicated, total expenditures for the organizations' most recent fiscal year come to \$380 million.

Table 6-1

EXPENDITURES OF ARTS AND ORGANIZATIONS IN VIRGINIA (\$ Millions)			
Region	Museums*	Arts Organizations*	Total
Northern Virginia	\$29.7	\$47.9	\$77.6
Central Virginia	38.4	15.7	54.1
Hampton Roads	186.9	22.3	209.1
Virginia Heartland	26.1	13.1	39.2
Total Virginia	\$281.1	\$98.9	\$380.1

* Rounding may affect totals

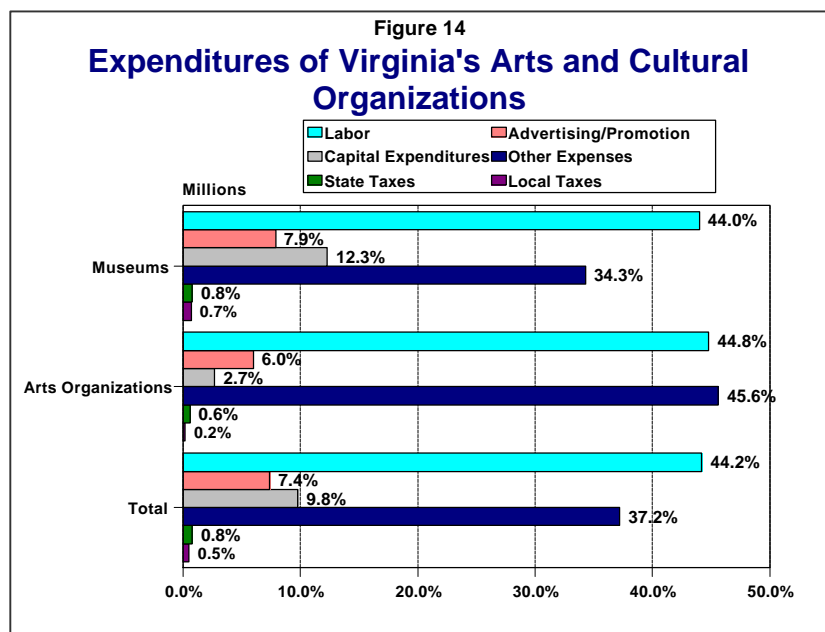


Labor compensation accounts for \$158 million of these expenditures, approximately 44% of the total. Of marketing expenses, capital expenditures and taxes, none of these individually accounts for

much more than 10% of expenditures in any one region of the state. Table 6-2 coupled with Figure 14, summarize the distribution of expenditure categories as a percent.

Table 6-2

EXPENDITURE CATEGORIES AS A PERCENT OF TOTAL EXPENDITURES			
Category	Museums	Arts Organizations	Total
Labor Compensation	44.0%	44.8%	44.2%
Advertising/Promotion	7.9%	6.0%	7.4%
Capital Expenditures	12.3%	2.7%	9.8%
Other Expenditures	34.3%	45.6%	37.2%
State Taxes	0.8%	0.6%	0.8%
Local Taxes	0.7%	0.2%	0.5%
Total Expenditures	100.0%	100.0%	100.0%



As illustrated by Figure 14 above, “other” expenses also account for a significant proportion of total expenditures by arts and cultural organizations. “Other” expenses include general operating expenses (e.g., utilities, maintenance, insurance, supplies, etc.), production expenses, fees for exhibits and dues, space rental and printing costs.

Expenditures by Region

On the next page are Tables 6-3 through 6-6 that represent each of the region’s expenditures and display how expenditures fall into the various categories. In general, museums tend to distribute larger proportions of their expenditures in labor compensation and capital expenditures than do arts organizations. Hampton Roads is the exception. Arts organizations in that area report that labor compensation is nearly two thirds of expenditures at 65%. No other region reports a percentage of even 50% for that expenditure category.

Table 6-3

NORTHERN VIRGINIA EXPENDITURE DISTRIBUTIONS			
Category	Museums	Arts Organizations	Total
Labor Compensation	45.1%	39.6%	41.7%
Advertising/Promotion	7.3%	5.1%	5.9%
Capital Expenditures	11.7%	1.7%	5.5%
Other Expenditures	34.5%	53.3%	46.1%
State Taxes	0.8%	0.2%	0.5%
Local Taxes	0.6%	0.1%	0.3%
Total Expenditures	100.0%	100.0%	100.0%

* Rounding may affect totals

Table 6-4

CENTRAL VIRGINIA EXPENDITURE DISTRIBUTIONS			
Category	Museums	Arts Organizations	Total
Labor Compensation	42.8%	31.4%	39.5%
Advertising/Promotion	3.3%	7.0%	4.4%
Capital Expenditures	11.0%	1.7%	8.3%
Other Expenditures	40.8%	58.4%	45.9%
State Taxes	1.9%	1.4%	1.7%
Local Taxes	0.2%	0.2%	0.2%
Total Expenditures	100.0%	100.0%	100.0%

* Rounding may affect totals

Table 6-5

HAMPTON ROADS EXPENDITURE DISTRIBUTIONS			
Category	Museums	Arts Organizations	Total
Labor Compensation	44.2%	64.7%	46.3%
Advertising/Promotion	9.3%	7.3%	9.1%
Capital Expenditures	12.8%	2.1%	11.7%
Other Expenditures	32.3%	25.1%	31.5%
State Taxes	0.6%	0.4%	0.6%
Local Taxes	0.8%	0.4%	0.7%
Total Expenditures	100.0%	100.0%	100.0%

* Rounding may affect totals

Table 6-6

VIRGINIA HEARTLAND EXPENDITURE DISTRIBUTIONS			
Category	Museums	Arts Organizations	Total
Labor Compensation	43.1%	46.1%	44.1%
Advertising/Promotion	5.6%	6.2%	5.8%
Capital Expenditures	11.4%	8.7%	10.5%
Other Expenditures	38.6%	36.8%	38.0%
State Taxes	0.8%	1.2%	0.9%
Local Taxes	0.5%	0.4%	0.5%
Total Expenditures	100.0%	100.0%	100.0%

* Rounding may affect totals

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

Section 7

THE ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS IN VIRGINIA

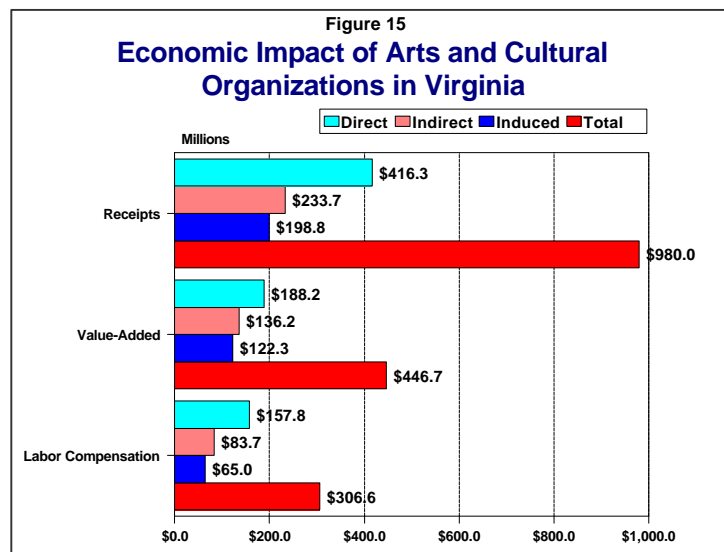
In this final report section, the data collected on arts and cultural organizations' revenues, expenditures and employment are brought together to show how economic impact for the regions and the state is generated. Following are definitions of the components of economic impact analysis used in this study:

- Receipts: Business sales or revenues for the arts and cultural organizations or for the businesses from which they buy goods and services
- Direct Effects: Receipts or expenditures by the arts and cultural organizations (as determined by the survey)
- Indirect Effects: Receipts or expenditures for other businesses with which the arts and cultural organizations directly trade
- Induced Effects: Receipts to businesses resulting from employees spending the wages and salaries generated for them by Virginia's arts and cultural organizations
- Total or Economic Impact: The sum of direct, indirect and induced effects
- Value-Added: That portion of Virginia receipts, whether direct or indirect, that is the value of output produced in Virginia (the source of Virginia wages and profits)
- Virginia Labor Compensation: Payments in the form of wages, salaries, and bonuses

Virginia's Arts and Cultural Organizations: Economic Impact

The results of this study show that arts and culture in Virginia is a billion dollar industry. In total, the direct, indirect and induced effects generated by these organizations have created an economic impact for the Commonwealth of Virginia of \$849 million in one year, without considering the out-of-state visitor spending of \$342 million (other than the admission revenues of the arts and cultural organizations).

As indicated in Figure 15, personal income for the state's residents from arts and cultural organizations in Virginia is estimated at \$447 million.



Section 7 – THE ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS IN VIRGINIA

Included in this amount is over \$300 million in labor compensation and employment for nearly 19,000 people. These data also are listed in Table 7-1 below.

Table 7-1

ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS IN VIRGINIA				
Category	Receipts (\$ Millions)*	Value Added (\$ Millions)*	Labor Compensation (\$ Millions)*	Total Employment Positions
Direct	\$416.3	\$188.2	\$157.8	12,507
Indirect	233.7	136.2	83.7	3,335
Induced	198.8	122.3	65.0	3009
Total Virginia	\$848.8	\$446.7	\$306.6	18,851

* Rounding may affect totals

Arts Organizations: Economic Impact

The information in Table 7-2 shows the economic impact of art organizations exclusively. Of the \$89 million in arts organizations receipts from their most recent fiscal year, approximately \$14 million (16%) was in the form of state and local grants. Statewide business receipts totaled \$222 million. The arts organizations contributed \$126 million in value added (mainly personal income), including nearly \$79 million in labor compensation. More than 6,000 employment positions are the result of the economic impact of arts organizations.

Table 7-2

ECONOMIC IMPACT OF VIRGINIA'S ARTS ORGANIZATIONS				
Category	Receipts (\$ Millions)	Value Added (\$ Millions)	Labor Compensation (\$ Millions)	Total Employment Positions
Direct	\$88.8	\$48.9	\$34.2	3,579
Indirect	79.2	44.3	27.0	1,491
Induced	53.6	33.0	17.5	985
Total Virginia	\$221.6	\$126.2	\$78.7	6,055

Museums: Economic Impact

Table 7-3 provides an estimate of the economic impact of museum receipts, which realized receipts of more than \$327 million in their last fiscal year, including nearly \$48 million (15%) in grant income from local and state sources. The operations of Virginia's museums provided \$321 million in personal income for the state's residents (value added), \$228 million in labor compensation, and 12,800 jobs.

Table 7-3

ECONOMIC IMPACT OF VIRGINIA'S MUSEUMS				
Category	Receipts (\$ Millions)*	Value Added (\$ Millions)*	Labor Compensation (\$ Millions)*	Total Employment Positions
Direct	\$327.5	\$139.3	\$123.6	8,928
Indirect	154.5	91.9	56.7	1,843
Induced	145.2	89.3	47.5	2,025
Total Virginia	\$627.2	\$320.6	\$227.8	12,796

* Rounding may affect totals

Economic Impact by Region

The next four tables show the extent to which arts and cultural organizations in each of the four regions generate statewide economic impact. For example, Table 7-4 shows estimates for the arts and cultural organizations in Northern Virginia. The receipts of these organizations totaled \$74 million dollars in their most recent fiscal year. Of these receipts, \$9.7 million come from state and local grants. Due to a portion of the receipts circulating around the region and state, Virginia's businesses realized receipts of \$142 million.

Table 7-4

NORTHERN VIRGINIA: ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS				
Category	Receipts (\$ Millions)*	Value Added (\$ Millions)*	Labor Compensation (\$ Millions)*	Total Employment Positions
Direct	\$74.3	\$29.7	\$25.3	2,140
Indirect	36.1	21.1	13.0	892
Induced	31.4	19.3	10.3	675
Total Virginia	\$141.8	\$70.2	\$48.6	3,707

* Rounding may affect totals

The outcome for the Central Virginia region is in Table 7-5. Initially, the receipts of the arts and cultural organizations in the area were \$75 million in their most recent fiscal year, including \$16.1 million in state and local grants. The organizations in Central Virginia also provided direct employment for 1,865 people. As a result of this type of activity, value added was created, meaning mainly that the personal income of Virginia's residents was bolstered with \$62.5 million in one year.

Table 7-5

CENTRAL VIRGINIA: ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS				
Category	Receipts (\$ Millions)	Value Added (\$ Millions)	Labor Compensation (\$ Millions)	Total Employment Positions
Direct	\$74.9	\$27.3	\$21.4	1,865
Indirect	31.9	18.5	11.3	399
Induced	27.1	16.7	8.9	378
Total Virginia	\$133.9	\$62.5	\$41.5	2,642

* Rounding may affect totals

Table 7-6 on the next page shows how arts and cultural organizations in Hampton Roads have contributed to Virginia's economy. Because of several large organizations in the area, Hampton Roads' receipts more than double those of other regions at \$189 million. Approximately 13% of these receipts (\$23.8 million) were awarded to the organizations in the form of state and local grants. Statewide, this region generates an estimated total of \$443 million in business receipts and \$261 million in value added (mainly personal income). In addition to the 7,100 employment positions that arts and cultural organizations provide for Hampton Roads residents, another 3,300 positions are generated indirectly for a statewide total exceeding 10,000.

Table 7-6

HAMPTON ROADS: ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS				
Category	Receipts (\$ Millions)*	Value Added (\$ Millions)*	Labor Compensation (\$ Millions)*	Total Employment Positions
Direct	\$189.2	\$108.3	\$93.8	7,099
Indirect	137.0	80.2	49.5	1,679
Induced	117.3	72.2	38.3	1,636
Total Virginia	\$443.4	\$260.6	\$181.6	10,414

* Rounding may affect totals

The Virginia Heartland is the focus in Table 7-7, which includes western Virginia, southern Virginia, the Eastern Shore, and the Northern Neck. Receipts for the arts and cultural organizations in these areas total \$62 million, which include \$12.2 million in state and local grants. The economic benefits of the Virginia Heartland's arts and cultural organizations include \$114 million in business receipts statewide, \$54 million in value added (mainly personal income), \$35 million in labor compensation, and more than 2,000 employment positions.

Table 7-7

VIRGINIA HEARTLAND: ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS				
Category	Receipts (\$ Millions)	Value Added (\$ Millions)	Labor Compensation (\$ Millions)	Total Employment Positions
Direct	\$62.1	\$22.9	\$17.3	1,403
Indirect	28.7	16.4	10.0	365
Induced	23.0	14.2	7.5	321
Total Virginia	\$113.8	\$53.5	\$34.8	2,089

* Rounding may affect totals

Another Perspective: Economic Impact Per \$1 Million of Receipts

To provide a more general perspective, Table 7-8 shows the economic impact of every \$1 million of receipts (revenues) of museums and arts organizations in Virginia.

Table 7-8

ECONOMIC IMPACT OF ARTS AND CULTURAL ORGANIZATIONS per \$1 MILLION IN RECEIPTS				
Category	Receipts (\$ Millions)	Value Added (\$ Millions)	Labor Compensation (\$ Millions)	Total Employment Positions
Direct	\$1.0	\$.4	\$.3	30
Indirect	.5	.3	.2	8
Induced	.4	.3	.1	7
Total Virginia	\$2.0	\$1.0	\$.7	45

* Rounding may affect totals

As shown in Table 7-8, each \$1 million generates receipts for all Virginia business of \$2 million, value added (mainly personal income) of \$1 million, labor compensation of \$700,000 and employment for 45 people.

Arts and cultural organizations and their offerings are not only beneficial to the economy of Virginia but also to the lives of Virginian residents. As a billion dollar industry, these organizations create millions in revenues for Virginia businesses, attract out-of-state tourism spending, generate millions in value-added income (mainly personal income) for Virginia's workforce and entrepreneurs, and create thousands of jobs for residents in the state. Virginia's arts and cultural organizations also host millions of patrons annually and organize over a million hours of volunteer time to enrich the quality of the communities in Virginia. As demonstrated in this report, the economic impact is substantial and can be quantified. The extent of the arts and cultural impact adds a dimension to the quality of life in Virginia that can not be expressed as dollars and cents but constitutes an irreplaceable resource.

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

APPENDIX

Virginians for the Arts

The Economic Impact of Arts and Cultural Organizations in Virginia

REGIONAL DEFINITIONS

Northern Virginia

City of Alexandria, Arlington County, Clarke County, Culpeper County, City of Fairfax, Fairfax County, City of Falls Church, Fauquier County, City of Fredericksburg, King George County, Loudoun County, City of Manassas, City of Manassas Park, Prince William County, Stafford County, Warren County

Central Virginia

Albemarle County, Charles City County, City of Charlottesville, Chesterfield County, City of Colonial Heights, Dinwiddie County, Fluvanna County, Greene County, Goochland County, Hanover County, Henrico County, City of Hopewell, New Kent County, City of Petersburg, Powhatan County, Prince George County, City of Richmond

Hampton Roads

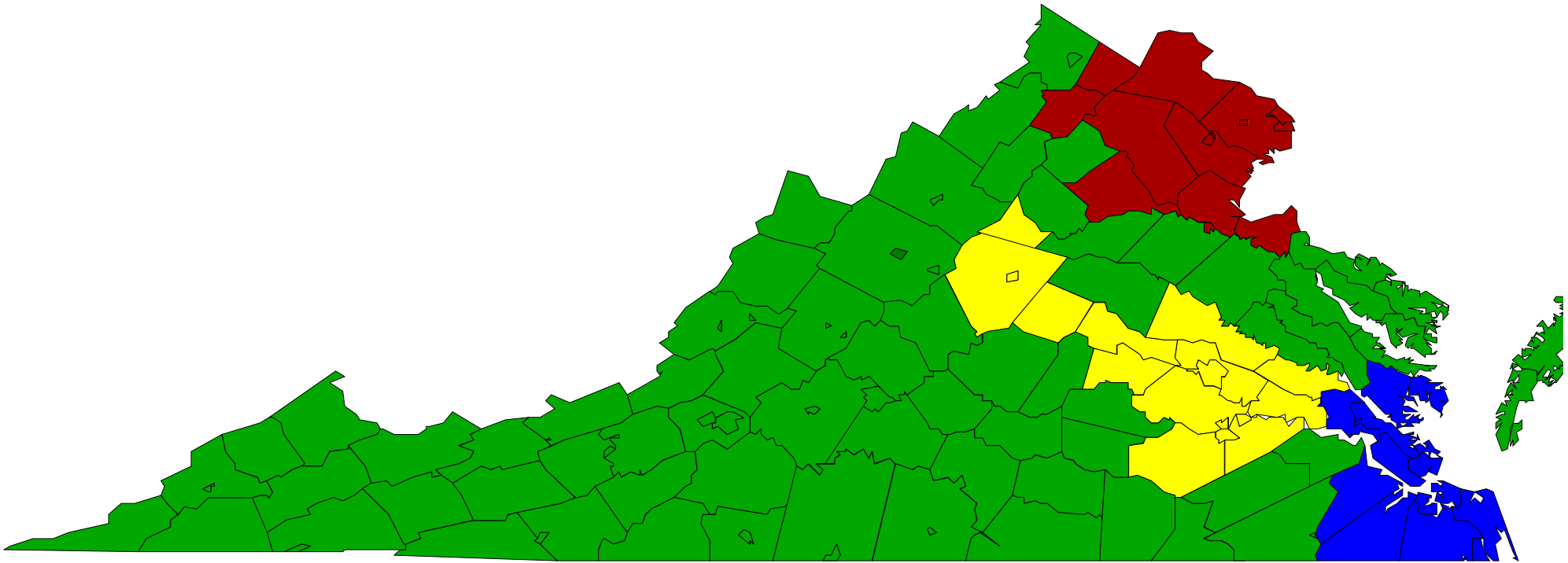
City of Chesapeake, Gloucester County, City of Hampton, Isle of Wight County, James City County, Mathews County, City of Newport News, City of Norfolk, City of Poquoson, City of Portsmouth, City of Suffolk, City of Virginia Beach, City of Williamsburg, York County

Virginia Heartland

Accomack County, Alleghany County, Amelia County, Amherst County, Appomattox County, Augusta County, Bath County, City of Bedford, Bedford County, Bland County, Botetourt County, City of Bristol, Brunswick County, Buchanan County, Buckingham County, City of Buena Vista, Campbell County, Caroline County, Carroll County, Charlotte County, City of Clifton Forge, City of Covington, Craig County, Cumberland County, City of Danville, Dickenson County, City of Emporia, Essex County, Floyd County, City of Franklin, Franklin County, Frederick County, City of Galax, Giles County, Grayson County, Greensville County, Halifax County, City of Harrisonburg, Henry County, Highland County, King And Queen County, King William County, Lancaster County, Lee County, City of Lexington, Louisa County, Lunenburg County, City of Lynchburg, Madison County, City of Martinsville, Mecklenburg County, Middlesex County, Montgomery County, Nelson County, Northampton County, Northumberland County, City of Norton, Nottoway County, Orange County, Page County, Patrick County, Pittsylvania County, Prince Edward County, Pulaski County, City of Radford, Rappahannock County, City of Roanoke, Roanoke County, Rockbridge County, Rockingham County, Russell County, City of Salem, Scott County, Shenandoah County, Smyth County, Southampton County, Spotsylvania County, City of Staunton, Surry County, Sussex County, Tazewell County, Washington County, City of Waynesboro, Westmoreland County, City of Winchester, Wise County, Wythe County

Virginians for the Arts Regional Areas

- Northern
- Central
- Hampton Roads
- Virginia Heartland



The Wessex Group, Ltd.

PRESIDENT

Donald J. Messmer

Donald J. Messmer is the J. S. Mack Professor of Business Administration at the College of William and Mary. He holds a Ph.D. in Marketing and Quantitative Methods from Washington University in St. Louis. His work has been published in the *Journal of Marketing*, *Decision Sciences*, *Journal of Advertising Research*, *Journal of Business Research*, *Educational and Psychological Measurements*, *Public Opinion Quarterly*, *Transportation Record*, *Journal of Transportation Research Forum*, *Journal of Travel Research*, and *Journal of Travel and Tourism Marketing*. He also has presented scholarly papers to numerous national and regional professional societies. He has served in editorial and leadership roles for these societies, including service as President of the SE Decision Sciences Institute.

In 1979 he founded ***The Wessex Group***, a strategic marketing research and planning firm with offices in Williamsburg, Virginia. As its President he has directed research and consulting projects for The Anheuser-Busch Companies, Inc., Bon-Secours Health Care Corp, Brown & Root, Canadian Egg Marketing Agency, Colonial Williamsburg Foundation, Commonwealth of Virginia, Computer Sciences Corporation, Newport News Shipbuilding, Old Dominion Electric Cooperative, Tidewater Regional Transit, the U. S. Small Business Administration, The Virginia Lottery, Virginia Division of Tourism, Virginia Power, Virginia Military Institute, a wide variety of Virginia municipalities, Weidmüller, Inc. and numerous other organizations.

He directed the Executive MBA Program at the College of William and Mary for almost four years and has presented seminars to a number of executive groups including the Chevrolet-Pontiac-Canada Group of General Motors. Currently he coordinates the MBA Field Studies Program required of all second year MBAs. He is a member of Beta Gamma Sigma, Alpha Mu Alpha, and is listed in *Who's Who in America* and *Who's Who in American Education*. He is a member of the Board of Directors for the Williamsburg Winery, Ltd., and Chateau Hotels, Ltd. Dr. Messmer is active in local civic affairs, currently serving on several community and civic boards, and is a past President of the Greater Williamsburg United Way. He led the successful effort, begun in 1990, to raise almost \$2.0 million to create a regional community services center for the Williamsburg area. Until recently he served as the Chairman of the non-profit foundation that owns and operates the 40,000 square foot center. At William and Mary he is responsible for establishing the Senior Executive Resource Corps (SERC), a group of senior executives, both retired and active, who have volunteered to help enrich the Business School's academic program and he coordinates the Field Studies Course for the MBA Program.

The Wessex Group, Ltd.

VICE PRESIDENT – ECONOMICS

Roy L. Pearson

Roy L. Pearson, who has been a vice president with *The Wessex Group, Ltd.* for nearly twenty years, also has been a William and Mary School of Business faculty member since 1971. He was named the Chancellor Professor of Business in 1987. He returned to full-time faculty status after serving as Director of the Bureau of Business Research from 1984 to 1998 and as publisher of the *Virginia Outlook* through its May 1999 final issue. His academic research focuses on forecasting, which he teaches regularly in the MBA program, and economic impact modeling. Currently, he is working on the forecasting processes for states to do the short-term employment and occupational forecasting required by the Workforce Investment Act of 1998. His economic impact studies in recent years include the impact on Virginia of Philip Morris U.S.A. and Virginia's technology-based industry growth, 1991-1996.

He served on the Governor's Advisory Board of Economists from 1984 until October 1998. Since 1984 he has been a continuing member of the Virginia Employment Commission Trust Fund Advisory Committee and the Division of Motor Vehicles Transportation Revenue Advisory Panel, which are forecast review panels.

He served as President of the Virginia Association of Economists in 1990-91 and was named a Distinguished Fellow of the association in 1998. In 1994-95, he was President of the Association for University Business and Economic Research, comprised of over 100 research bureaus, and was named an Honorary Member in 1999. He is an active member of the International Institute of Forecasters and editor of the Institute's newsletter, the *Oracle of IIF*.

He received a B.S. in Commerce and Ph.D. in Economics from the University of Virginia. He was an Assistant Professor of Finance at the University of Arkansas, then Associate Professor of Economics and Business at Centenary College of Louisiana, before joining the faculty of the School of Business at William and Mary.

The Wessex Group, Ltd.

VICE PRESIDENT - MARKET RESEARCH

Suzanne Huddleston

Suzanne Huddleston, a Vice President of ***The Wessex Group***, received her MBA from the College of William and Mary, where she graduated with honors as a member of *Beta Gamma Sigma* and *Alpha Mu Alpha*. Before joining ***The Wessex Group***, she held management positions supervising staff, logistics, and billing processes and also conducted research projects for the College of William and Mary.

In ***The Wessex Group***, she focuses on market research, statistical analysis, fiscal impact studies, modeling and strategic planning. She has directed numerous projects including consumer and business-to-business market research studies, economic impact and forecasting studies, regression analysis, and modeling. Clients for whom she has designed and directed projects include businesses and organizations focusing on healthcare, public transit, communications, utilities, higher education, public services, real estate development, and tourism. Some of these client organizations include Williamsburg Community Hospital, Bon Secours Health Systems, Sentara Healthcare, Hampton Roads Chamber of Commerce, Central Virginia Health Planning Agency, Virginia Power, AT&T Federal Systems, Ohio-Indiana-Kentucky Regional Council of Governments, Mary Washington College, Stonehouse Inc., Delmarva, Inc., Tidewater Regional Transit (now Hampton Roads Transit), The Colonial Williamsburg Foundation, and the Williamsburg Area Convention and Visitors Bureau. She also has directed project tasks for many Virginia cities and counties, including the Counties of James City, York, Henrico, Franklin, Henry and Fairfax, and the Cities of Newport News, Portsmouth, Hampton, Williamsburg, Martinsville, and Virginia Beach.